



**SUFFOLK COUNTY
OFFICE OF THE COMPTROLLER
AUDIT DIVISION**

**Joseph Sawicki, Jr.
Comptroller**

**An Audit of
Huntington Freedom Center, Inc.
County Funded Day Care Program
For the Audit Period
January 1, 2005 through December 31, 2005**

**Audit Report No. 2009-03
Date Issued: April 28, 2009**

This report was prepared by:

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Joseph Sawicki, Jr.
Suffolk County Comptroller

TABLE OF CONTENTS

	Page
LETTER OF TRANSMITTAL.....	1
SUMMARY OF SIGNIFICANT AUDIT FINDINGS	3
GENERAL INFORMATION	4
SCOPE AND METHODOLOGY	6
DETAILED RESULTS OF EXAMINATION	
County Funding	9
Compliance with Laws, Regulations and the County Contract	9
Internal Controls	13
SCHEDULE	19
APPENDICES	
APPENDIX A Auditee's Response to Audit.....	21
APPENDIX B Audit and Control's Assessment of Auditee's Response.....	24

LETTER OF TRANSMITTAL

February 5, 2009

Hon. Joseph Sawicki, Jr.
Suffolk County Comptroller
Suffolk County Department of Audit and Control
H. Lee Dennison Executive Office Building
100 Veterans Memorial Highway
P.O. Box 6100
Hauppauge, NY 11788

Dear Mr. Sawicki:

Pursuant to the request of the Commissioner of Social Services and in accordance with the authority vested in the County Comptroller by the Suffolk County Charter (Article V), we conducted a performance audit of Huntington Freedom Center, Inc. (hereinafter referred to as the Agency). The audit was limited to the child care service billings the Agency submitted to the Suffolk County Department of Social Services (hereinafter referred to as the Department) for day care services provided during the period January 1, 2005 through December 31, 2005. The day care services were provided at the Agency's principal place of business located at 159 Railroad Street, Huntington Station, New York, 11746, pursuant to a contract between the Agency and the Department.

The objectives of the audit were as follows:

- To determine if the Agency's child care services billings were prepared based on the actual child care services that were reflected on the teachers' classroom attendance records.
- To determine if the Agency's child care service billings were prepared in accordance with all applicable contract provisions, laws and regulations; specifically, Part 415.6(e) (2) of Title 18 of the New York Codes, Rules and Regulations (NYCRR) which states that payments for child care services are reimbursable if "Payment for child day care or child care services for eligible families/children do not exceed the amount charged to the general public for equal care in the providing facility or home."


We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Such standards require that we plan and perform the audit to adequately assess those operations that are included in our audit scope. Further, these standards require that we understand the internal control structure

of the Agency and its compliance with those laws, rules and regulations that are relevant to the operations included in our audit scope.

Our audit included examining, on a test basis, original source documents supporting the child care service billings submitted to the Department for child care services provided by the Agency during the period January 1, 2005 through December 31, 2005. In addition, we applied such other auditing procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our findings and recommendations.

As a result of our audit, we determined that the Agency did not comply with Part 415.6(e) (2) of Title 18 of the NYCRR and, as a result, was overpaid by the Department in the amount of \$55,795 for the period January 1, 2005 through December 31, 2005 (Schedule, p. 19). In addition, the audit identified certain weaknesses in the Agency's relevant internal controls which we believe could adversely affect the Agency's ability to safeguard assets, to detect misappropriations in a timely manner, to maximize agency revenue to the fullest extent possible and to comply with certain requirements of applicable contract provisions, laws and regulations.

Respectfully,

A handwritten signature in black ink, reading "Elizabeth Tesoriero". The signature is written in a cursive, flowing style.

Elizabeth Tesoriero, CPA
Executive Director of
Auditing Services

ET/SM

SUMMARY OF SIGNIFICANT AUDIT FINDINGS

County Funding – Our audit of the Agency’s child care service billings for the period January 1, 2005 through December 31, 2005 disclosed that the Agency was overpaid in the amount of \$55,795 (Schedule, p. 19). The overpayment resulted from the Agency billing the County for child care services at tuition rates that materially exceeded the rates that were charged to the general public for equal child care services, which is prohibited by Part 415.6(e) (2) of Title 18 of the NYCRR.

Compliance with Laws, Regulations and Contracts – The audit disclosed the following violations of contract provisions that are material to the subject matter and are required to be reported under Government Auditing Standards:

- The Agency did not comply with the County contract and with Regulatory Agency Regulation 18 NYCRR 415.6 (e)(2) which state that, “Payment for child day care or child care services for eligible families/children do not exceed the amount charged to the general public for equal care in the providing facility or home” (p. 9).
- The Agency did not duly collect the parent tuition fees payable from income eligible recipients of child care services funded by the Department (p.11).
- The Agency inappropriately billed the Department for unallowable student absences (p.12).

Internal Controls – Our review of internal controls that are material to the subject matter disclosed the following deficiencies that are required to be reported under Government Auditing Standards:

- There is an inadequate segregation of duties with respect to the billing, collection, processing and recording of Agency revenue (p.13).
- The Agency’s procedures relative to the recording of tuition revenue were not adequate to ensure that all reported transactions were complete, accurate and that there were no unrecorded transactions (p.14).
- Tuition fees billed to the parents of enrolled students were not always supported by documentation (p.16).

GENERAL INFORMATION

Huntington Freedom Center, Inc. (Agency) is a New York State nonprofit corporation established to provide quality child day care and supportive and educational services to low income working families. The Agency provided these services to both the general public (private pay students) and to Suffolk County residents that were approved by the County for subsidized child day care (County funded students) pursuant to its contract with the Department. The Agency's administrative office and day care center are located at 159 Railroad Street, Huntington Station New York.

The Agency is a licensed child day care center operating in accordance with 18 NYCRR 414 and 418. The Department is authorized under §410 of NYS Social Services Law to provide day care, at public expense, for children residing in Suffolk County who are eligible for such services.

The Agency is reimbursed on a fee-for-service basis for day care services provided to County funded students pursuant to the County contract. These fees are stipulated in the contract and are based on rates established by the Department. However, as directed by the regulatory requirements of 18 NYCRR Part 415.6(e) (2), these fees must not exceed the fees charged to the private pay students for equal care.

The Agency is designated as a weekly child care provider; however, if a child is in attendance less than 30 hours a week, a daily, part-day or hourly rate will apply based on the number of hours the child was in attendance each week. In addition, subject to the terms of the contract, the County reimburses a limited number of child absences provided they are supported by an absence note signed by the child's parent or guardian. The Department utilizes the BICS system and Finance Day Care Database system to authorize children and to

process child day care payments.

In order to receive payment for child care services, the Agency was required to complete and submit to the Department a monthly billing roster and daily attendance record. The monthly billing roster, which is generated by the Department, denotes the County funded students for that month, along with their eligibility period and applicable parent fees. It was the Agency's responsibility to enter each child's billable child care services on the billing roster utilizing the daily attendance record. The daily attendance record is prepared by the Agency to track each child's actual number of hours in attendance, absences, and weather-related closings on a daily basis. The Department determines whether the families receiving subsidized day care services are financially capable of contributing to the cost of child day care and, if so, a parent fee is established. It is the Agency's responsibility to collect the parent fee from each child's parent/guardian.

In addition to the standard monthly billings, the Agency submitted supplemental billings for those children that were not included on the appropriate monthly billing roster or were not allowed when initially billed by the Agency to the Department.

During the audit period, the Agency had a scholarship program which provided a reduced tuition rate to low income families that were not placed by or subsidized by the Department. The reduced rate was determined based upon the parent's income as well as the number of dependents in the family and was purportedly funded through private grants and donations. During the course of the audit, we reviewed the Agency's scholarship program to ensure that the tuition rates charged to the private pay students were not less than those charged to the Department for equal care as required by 18 NYCRR Part 415.6(e) (2).

SCOPE AND METHODOLOGY

To accomplish our objectives, as stated in the Letter of Transmittal (page 1), we audited the child care service billings that were submitted by the Agency to the Department for child day care services that were provided during the period January 1, 2005 through December 31, 2005. Our audit procedures included the following:

- Interviewed the Agency's employees who are responsible for the preparation of monthly child care service billings submitted to the Department.
- Retrieved original classroom attendance records which are prepared by the Agency's teachers. These attendance sheets note each child's weekly attendance and are the source documentation for the monthly child care service billings to the Department.
- Interviewed the Department's personnel that are responsible for the billing and payment process for child care providers to determine their procedures relative to the review of the monthly child care service billings and the computation of the amounts payable to the providers.
- Randomly selected for testing purposes five County funded students that received day care services during the period of audit. To ensure that the child care service billings were properly prepared and the County correctly billed for day care services provided by the Agency, we reviewed documentation to verify the following:
 - The child's billed attendance agreed to the child's actual attendance as per the classroom attendance records.
 - There was an absence note for each billed absence.
 - The child's number of billed absences did not exceed the allowable absences as per the County contract.
 - The child's billed attendance was utilized to determine the actual payment made by the Department.
 - The parent fee was duly collected by the Agency.
 - The Agency's billing records were duly adjusted to reflect uncollected parent fees.

- Randomly selected for testing purposes ten private pay students that received day care services during the period of audit. To ensure that tuition fees were properly billed to the private pay parents and that these fees were duly collected by the Agency, we reviewed documentation to verify the following:
 - The weekly tuition fee was accurately determined based on the Agency's fee schedules when considering the parents documented level of income.
 - The appropriate tuition fee was duly collected by the Agency.
 - The Agency's billing records were duly adjusted to reflect uncollected tuition fees.
- Reconciled each bank account deposit to the corresponding amounts recorded in the cash receipts journal to ensure that all recorded receipts were deposited.
- Reconciled the amounts recorded as collected in the cash receipts journal to the corresponding amounts recorded as collected on the Agency's weekly billing records to ensure that all funds received by the Agency were recorded in the cash receipts journal.
- Investigated unusual unpaid tuition fee balances to ensure that all tuition fees due and collected from the parent during the period under audit were recorded in the cash receipts journals, the weekly billing records and deposited in the Agency's bank account.
- Obtained a working copy of the Finance Day Care Database System (System) from the Department and verified its accuracy and completeness by reconciling the combined total of the monthly payments made by the Department as per each County funded student's Individual Payment record reflected in the System to the corresponding payments made by the Department as per the County's vendor payment records.
- Entered each child's audited tuition fees for weekly, daily, part-day and hourly services provided into the System which then calculated the total fees due to the Agency for each County funded student, deducted the parent fee when applicable, and computed each student's audited monthly payment.

- Obtained the Department's Monthly Child Care Payment Forms (form) for those County funded students that received public assistance during the audit period and were therefore not reflected in the Finance Day Care Data Base System. To determine these students' audited monthly payment, we multiplied the attendance reflected on each form by the audited tuition fees to determine the audited payment for each student.
- Prepared a schedule which compared the audited tuition payments for each student summarized by Suffolk County Voucher to the corresponding voucher total paid by the Department to the Agency to determine the total amount overpaid to the Agency for the period of audit.

DETAILED RESULTS OF THE EXAMINATION

County Funding

The Agency was reimbursed on a fee-for-service basis for day care services provided to County funded students. These fees were stipulated in a contract between the Agency and the Department and were based on rates established by the Department.

As a result of our audit, we determined that the Agency received total payments from the Department in the amount of \$115,857 for day care services provided during the period January 1, 2005 through December 31, 2005. Our audit disclosed that audited (allowable) child care service billings for the period of audit totaled \$60,062, resulting in an overpayment to the Agency of \$55,795 (Schedule, p. 20). The overpayment resulted from the Agency billing the Department for child care services at tuition rates that materially exceeded the rates that were charged to private pay students for equal care provided by the Agency which is prohibited by Part 415.6(e) (2) of Title 18 of the NYCRR.

Compliance with Laws, Regulations and the County Contract

Our examination disclosed the following violations of contract provisions that are material to the subject matter and are required to be reported under Government Auditing Standards:

The Agency did not comply with the County contract and with Regulatory Agency Regulation 18 NYCRR 415.6 (e)(2) which state that, "Payment for child day care or child care services for eligible families/children do not exceed the amount charged to the general public for equal care in the providing facility or home". The

Agency offered a scholarship program to private pay students that provided for a reduction in each child's tuition rate. The reduction was determined based upon the parent's income as well as the number of dependents in the family. The majority of private students received the maximum scholarship during the period of audit reducing their tuition rates to \$115 for a preschool student and \$139 for a toddler during the January 1 through September 30, 2005 period and \$130 for a preschool student and \$154 for a toddler during the October 1, 2005 through December 31, 2005 period. However, since this program was not offered to County funded students, the Agency billed the Department and was reimbursed at tuition rates of \$215 for a preschool student and \$230 for a toddler. The audit recalculated the Agency's child care service billings utilizing the lowest tuition rates billed to private pay students and determined that the Agency was overpaid \$55,795 for services provided during 2005 (also noted in County Funding, p. 9 and Schedule, p. 20).

During the audit the Agency modified its Scholarship Program in an attempt to comply with the County contract. However, our review of the revised Scholarship Program found that the reductions in the tuition rates were not made available to County funded students, therefore the Agency continued to bill the Department at a higher rate for child care than the amount paid by private pay students, which is prohibited by the County contract.

Recommendation 1

The Agency should comply with Regulatory Agency Regulations Part 415.6(e) (2) of Title 18 of the NYCRR and the provisions of the County contract which require that payment for child day care or child care services for eligible families/children not exceed the amount charged to the general public for equal care in the providing facility or home.

The Agency did not duly collect the parent tuition fees payable from income eligible recipients of child care services funded by the Department. The Department evaluates each prospective client to determine if they are financially able to contribute a fee toward the cost of their day care services. The Agency is contractually responsible for the collection of all such fees. Whether or not collected by the Agency, these fees must be reflected as a reduction to the contracted child care rates on the child care service billings. However, we found that the collection of tuition fees associated with four of the five County funded students tested did not comply with this parent fee requirement.

Although the child care service billings were reduced by these parent fees and therefore no monetary adjustment was necessary, the Agency did not comply with the County Contract since it did not collect these fees on a weekly basis and did not notify the Department that the parent had not paid the required fees. Furthermore, it should be noted that parents who do not pay their weekly fee may adversely affect their child's eligibility for the program.

Recommendation 2

The Agency should comply with the County contract which stipulates that the Agency must collect each County funded student's parent fee on the first day services are provided by the Agency and on each Monday thereafter. Furthermore, the Department must be notified immediately of non-payment of the required parent fees as this may jeopardize the child's eligibility for child care.

The Agency inappropriately billed the Department for unallowable student absences. The County contract directs that student absences, for which the Agency requests reimbursement from the Department, must be supported by absence notes that are signed by the child's parent/guardian. In addition, each student's billed absences must not exceed the limits set forth in the County contract. However, our audit disclosed the following:

- Ten of the absences claimed for two of the five County funded students tested were not supported by absence notes. Eight of the unsupported absences were paid by the Department.
- The Agency billed the County for 33 absences over a two month period for one of the five County funded students tested. Our audit disclosed that only 18 of these absences complied with the criteria set forth in the County contract. However, it should be noted that the Department's review of the associated child care service billings identified these unsupported absences and the charges were disallowed..

Only those absences that were supported by absence notes and that did not exceed the limits set forth in the County contract were included as audit allowed child care service billings.

Recommendation 3

To ensure payment from the Department for student absences, the Agency must require each County funded student's parent to submit a signed absence note documenting the reason for each absence. In addition, the Agency should monitor each County funded student for excessive absences. The Agency should not request payment from the Department for those absences that exceed the limits set forth in the contract.

Internal Control

Our review of the Agency's internal controls that are material to the subject matter disclosed the following deficiencies that are required to be reported under Government Auditing Standards:

There is an inadequate segregation of duties with respect to the billing, collection, processing and recording of Agency revenue. The Agency's Business Manager performs the majority of revenue processing functions with no documented second-party verification by an individual who is independent of the process. The Business Manager's responsibilities include the following:

- Entering the students' approved tuition fee into the Agency's billing records.
- Collecting the student's tuition fee on a weekly, bi-weekly or monthly basis.
- Recording the collected fee in the Agency's billing records and cash receipts journal.
- Adjusting the students' outstanding tuition balances for any unpaid tuition.
- Preparing and making the bank deposit on a weekly basis.

Although the Agency's Treasurer is responsible for reconciling the cash receipt journal to the bank statement on a monthly basis, the Treasurer does not receive the billing record and therefore does not reconcile the billing record to the cash receipts journal or review the billing record for excessive outstanding tuition balances.

Recommendation 4

To ensure effective internal control, incompatible job duties should be adequately segregated. If staffing restrictions do not permit this, proper oversight by the Treasurer is essential to ensure that funds are not misappropriated.

The Agency's procedures relative to the recording of tuition revenue were not adequate to ensure that all reported transactions were complete, accurate and that there were no unrecorded transactions. Our audit disclosed that the Agency does not utilize a clear, standardized method of thoroughly recording payments in the billing records. Many of the manual entries reflected in the billing records were illegible, did not clearly indicate that a payment was received or did not clearly reflect the amount of the payment. In addition, the accuracy and completeness of the billing records and cash receipts journal is not verified by an individual who is independent of the processing of tuition revenue. The audit disclosed the following misstatements in the Agency's revenue records that were related to these internal control weaknesses:

- Thirty-three of the tuition payments that were recorded in the cash receipts journal for six of the ten private pay students tested were not clearly reflected as collected in the billing records. It should be noted that these amounts were not carried to the subsequent week as unpaid tuition and therefore the students' outstanding tuition balances were correct. However, our comparison of total private pay tuition payments recorded in the cash receipts journal during the period of audit to the total corresponding payments recorded in the billing records revealed \$3,059 of private pay tuition payments that were not clearly reflected as collected in the billing records and \$354 of payments that appeared to be recorded by the Agency in the billing record but not collected by the Agency.
- Three of the ten private pay students tested had outstanding tuition balances when they terminated enrollment from the program during the period of audit. Although the outstanding tuition fee for one of these students in the amount of \$1,409 was clearly recorded in the Agency's billing record, no documented attempt was made by the Agency to collect this fee. In addition, we found that since the outstanding tuition fees for the remaining two students in the amount of \$120 and \$230 were not carried forward from prior weeks in the Agency's billing records these fees were not collected by the Agency.
- One of the tested private pay student's weekly tuition fees in the amount of \$100 and the associated payments were incorrectly recorded by the Agency for a period of six weeks on both the County Funded Student Fee/Payment Schedules and the County Funded Cash Receipts Journal. As a private pay student the weekly tuition fee should have been \$115. At the end of the six week period, two

additional payments totaling \$750 made by this student were incorrectly recorded by the Agency on both the County Funded Student Fee/Payment Schedules and the County Funded Cash Receipts Journal. At the time of this payment, the billing register did not reflect an outstanding balance due from prior weeks nor did it reflect a credit balance for advance payment on the subsequent billing record. As a result, since we were unable to determine the reason for these payments we were unable to ensure the accuracy of the associated student's tuition balance. We also found that, although a second private pay student tested was funded by the County for a portion of the period of audit; they were reflected on the Private Pay Weekly Payment Schedule for that period.

- The Agency did not adjust the billing records to reflect \$380 of private pay parent payments that were recorded in the cash receipts journal as refunded to the parent. This resulted in the misstatement of the associated students outstanding tuition balance.
- The Agency did not collect any of the parent tuition fees that were billed during the period of audit for one of the private pay students tested. In addition, these unpaid tuition fees were not carried forward each week as an outstanding balance in the Agency's billing records. We determined that unpaid tuition fees amounting to \$3,795 for this student were not recorded during the period of audit.
- Private pay parent payments recorded in the billing records in the amount of \$852 were not recorded in the cash receipts journal. However, since the associated payments due were carried to the subsequent week's billing record the associated outstanding student balances were correctly stated.
- Payments in the amounts of \$730 for private pay students and \$370 for County funded students were recorded in the cash receipt journals but were not recorded in the billing records. An associated \$730 outstanding balance was carried to the subsequent week's private pay billing record thus overstating the associated student's outstanding balance. However, since no outstanding balances were carried forward with respect to the County funded student, the associated outstanding balance was correctly stated.
- County funded students' parent tuition fees in the amount of \$400 were recorded in both the cash receipts journal and the billing records; however, only \$200 was offset against the student's outstanding balance in the subsequent week. As a result, this student's outstanding tuition fees were overstated by \$200.

Although the aforementioned findings did not have a monetary effect on our determination of audited child care service billings, the corresponding weakness in the Agency's internal controls may adversely affect the Agency's ability to safeguard assets, to

detect misappropriations in a timely manner and to maximize Agency revenue to the fullest extent possible.

Recommendation 4

The Agency's Business Manager should submit the weekly billing records, the bank statements and the cash receipt journals to the Agency's Treasurer each month. The Treasurer should verify that all revenue transactions were recorded in both the billing records and the cash receipt journals and that all funds collected were duly deposited. In addition, the Treasurer should review outstanding tuition balances for reasonableness.

Tuition fees billed to the parents of enrolled students were not always supported by documentation. The Agency was contractually required to maintain all books, records and other documents relevant to the County funded students for a period of seven years. However, we found that the Agency's internal controls relative to record retention for both the private pay (general public) and County funded students need to be strengthened. Our audit disclosed the following:

- The Agency did not retain the billing records for the weeks beginning September 26, 2005 or December 12, 2005. As a result, we were unable to determine if the County funded students' parent fees reflected in the billing records as collected agreed to those reflected in the cash receipts journal.
- The Agency did not provide us with one of the ten private pay student files selected for review. As a result, we were unable to determine if the associated student was charged the correct weekly tuition fee in accordance with the Agency's scholarship program.
- One of the ten private pay student files selected for review did not include any personal income information related to the student's parent/legal guardian. As a result, we were unable to determine if the associated student qualified for the

Agency's scholarship program. It should be noted that two emergency grants in the amounts of \$5,000 and \$610 respectively were provided by the Agency to cover the full cost of tuition associated with this student during the period of audit.

Recommendation 5

All books, records and other documents relevant to the County funded students must be retained for a period of seven years, as contractually required. In addition, as dictated by good business practice, the Agency should retain sufficient financial information in order to make a proper determination of the weekly tuition fee for each private pay student.

This report is intended solely for the information and use of the Agency's management and responsible Suffolk County officials and is not intended to be used by anyone other than these specified parties. However, this report is available for public inspection.

SCHEDULE

Note: The accompanying schedule are an integral part of this report and should be read in conjunction with the Letter of Transmittal (p.1)

Schedule

Huntington Freedom Center, Inc.
Summary of Overpayment by Voucher
For the Audit Period January 1, 2005 through December 31, 2005

<u>Suffolk County Voucher Number</u>	<u>Amount Paid</u>	<u>Amount Allowed</u>	<u>Amount Overpaid</u>
F0302528	12,460.00	6,068.00	6,392.00
F0301610	192.00	139.00	53.00
F0304596	12,076.00	5,879.00	6,197.00
F0304785	1,075.00	547.00	528.00
F0306898	13,044.00	6,932.00	6,112.00
F0309095	9,222.00	4,364.00	4,858.00
M0124552	1,660.00	925.00	735.00
F0311216	6,676.00	3,253.00	3,423.00
F0310646	856.00	456.00	400.00
F0313337	6,846.00	3,529.00	3,317.00
F0312368	856.00	456.00	400.00
F0313516	2,149.00	1,209.00	940.00
F0312392	2,709.00	1,474.00	1,235.00
F0315527	5,849.00	2,760.00	3,089.00
F0317764	5,610.00	2,757.00	2,853.00
F0316859	1,320.00	765.00	555.00
F0319963	5,059.00	2,262.00	2,797.00
F0319346	110.00	10.00	100.00
F0319402	467.00	25.00	442.00
F0320157	559.00	317.00	242.00
F0321192	64.00	35.00	29.00
F0322098	5,091.00	2,825.00	2,266.00
F0324220	6,681.00	3,890.00	2,791.00
F0323678	1,929.00	1,203.00	726.00
F0323615	1,911.00	1,142.00	769.00
F0325776	521.00	566.00	(45.00)
F0326316	4,080.00	4,074.00	6.00
M0131382	4,106.00	-	4,106.00
M0141705	617.00	698.00	(81.00)
M0141215	279.00	351.00	(72.00)
M0141731	823.00	535.00	288.00
M0141667	960.00	616.00	344.00
Total	115,857.00	60,062.00	55,795.00

Note: The amount allowed was determined by performing the procedures detailed in the Scope and Methodology section of the report (p. 6-7).

APPENDICES

APPENDIX A

See Audit & Control's
Comments (p. 24)



United Way of
Long Island



The Huntington
Chamber of Commerce



Soroptimist
International of
Huntington



The Townwide Fund
of Huntington

EARLY CHILDHOOD LEARNING PROGRAM
THE HUNTINGTON FREEDOM CENTER
159 Railroad Street, Huntington Station, NY 11746
(631) 421-5058 fax (631) 421-5216
huntingtonfreedom.center@verizon.net
www.huntington-freedom.org

April 16, 2009

Board of Directors

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Hon. Andrew Raia

Brooke Bronson

Executive Director

Suffolk County Department of Audit and Control H. Lee Dennison Executive Office
Building 100 Veterans Memorial Highway
P.O. Box 6100

Hauppauge, New York 11788

Audit Division of Suffolk County Department of Audit and Control

Attn: Ms Elizabeth Tesoriero, CPA
Executive Director of Auditing Services

We have received and reviewed your office's draft audit of our accounts for the period of January 1 through December 31, 2005. We are hereby returning the executed Response Letter your audit requires. However, your conclusion that we owe the County \$55,795 is, we believe, unjust and substantially in error due to an incorrect interpretation of our policies relative to the Part 415.6(e), (2) of Title 18 of the New York Codes, Rules and Regulations. The draft audit report we have been furnished states that the tuition reimbursement we granted to families that fall outside the income levels for which NYSCCBG funds are provided somehow entitles DSS to that same tuition reimbursement for families below the 200% of poverty. Our scholarship practices, which had been employed and reported in detail to Suffolk DSS for 15 years prior to their suddenly rejecting our practices in 2005, were subsequently recognized by NY State OCFS as having been within the law. Ms Suzanne Sennett, then of the NY State Office of Child and Family Services, confirmed by discussion, followed by a letter in 2006 (copy attached) that our long-standing practices in 2005 and subsequently were in compliance with NY State Law, specifically because the families to whom we have given scholarships (discounts) were above the income levels for which public funding was allowed, constituting a separate class, to which we could apply any charge independently of the children supported by DSS. From time to time, including currently, we have also had private families with sufficient income that they paid the full Market Rate that we have attempted to charge DSS. DSS has been compensating us since December 2005 only at the 2005 Market Rate, despite our protests. They have also contracts at the 2005 rate, without permitting negotiation of that practice.

Due in large part to the DSS unjustly withholding full Market Rate payments for over three years, the Center is regretfully forced to cease Child Care services as of April 17, 2009 after 45 years of service to the community. The Corporation and its claims will survive that closing, and will dispose of its significant assets so as to settle all legal obligations. Accordingly, we intend to protest this unconscionable assessment and the concomitant unreasonable withholding of funds due us and payable for past service rendered to NYSCCBG children, of which we first received notification from DSS on April 8, 2009.

Richard A. Oman, Vice President
For The Huntington Freedom Center
Board of Directors

cc: Hon. D Paterson, Hon. C. Marcellino, Hon. J. Conte, Hon. A. Raia, Hon. Jon Cooper, D. Mohr, S. McMaster

APPENDIX A (Cont'd)

See Audit & Control's
Comments (p. 24)



**New York State
Office of
Children & Family
Services**

November 1, 2006

Mr. Richard Oman, Vice President
Huntington Freedom Center
16 Whitehall Drive
Huntington, NY 11743

George E. Pataki
Governor

John A. Johnson
Commissioner

Dear Mr. Oman:

At your request, I have reviewed a draft policy statement developed by the board of directors of the Huntington Freedom Center in regard to establishing a tuition assistance program for families facing financial hardship in paying their child(ren)'s child care costs. Before providing feedback on that draft policy, allow me to first commend you and all the members of your board for your continued commitment to the provision of quality child care to low income children in your community.

Capital View Office Park

52 Washington Street
Sensselaer, NY 12144-2796

Appended to this letter are specific minor revisions we would recommend to the wording of the policy. In addition, I am also including the current income eligibility standards as the income levels referenced in the policy are no longer accurate.

This review is limited to providing guidance to your organization in developing an internal policy that appears to result in a fee schedule and scholarship program that would comport with the standards which a local department of social services would be looking for as part of the process of determining the actual cost of care in accordance with State policy and regulation under the New York State Child Care Block Grant. This office does not have standing to formally accept nor approve policies of the Huntington Freedom Center. As a private not-for-profit corporation, that is the auspice of the board of directors. However, we are happy to provide this guidance to the board as it considers the adoption of this policy.

Also note that this guidance does not constitute a guarantee of reimbursement at a particular funding level through the NYSCCBG nor a directive to Suffolk County Department of Social Services. It is my understanding that Huntington Freedom Center has a valid contract with the Suffolk County Department of Social Services which includes a specific reimbursement level. The reimbursement amounts stipulated in that contract are the controlling standard. To the extent that the County and Huntington Freedom Center are seeking to renegotiate the terms of that contract, the tuition policy finally adopted by the board would be relevant in the County's determination as to what they could consider the "private pay fee" which would serve as the highest level that could be reflected in the contract. State regulations allow counties to enter into



APPENDIX A (Cont'd)

See Audit & Control's
Comments (p. 24)

voluntary contracts with child day care centers that reflect an agreement on the part of the child care provider to accept a reimbursement rate lower than their published private tuition rate. However, the existence of a contract is not a prerequisite for a program receiving reimbursement through the NYSCCBG for income eligible children.

We would recommend to the Board of Directors that it be clear as to the adoption date of this or any other change of policy, and maintain documentation of how parents are/ were informed of these changes. Such information would be of relevance to your discussions with the Suffolk County Dept of Social Services in negotiating either future revisions to your contract or establishing your agency's private pay rate if the program elects to terminate its contract with the county and participate in the subsidy program exclusively through child-specific voucher reimbursement.

I am hopeful that you find this information helpful. I am equally hopeful that you are able to continue serving the children and families of your community.

Sincerely,



Suzanne Zafonte Sennett, Director
Bureau of Early Childhood Services

cc: Commissioner DeMarzo, Suffolk County DSS

APPENDIX B

**Audit & Control's Assessment of
Auditee's
Response to the Audit**

The Agency did not request an exit conference; however, the Agency did submit a formal response to the report (Appendix A, p. 21). In its response, the Agency expressed disagreement with the report findings concerning excessive child care fees which were disallowed because they exceeded the amount charged to the general public for equal care in the providing facility or home.

The Agency contends that our audit findings are in error due to an incorrect interpretation of the Agency's policies relative to Part 415.6(e) (2) of Title 18 of the New York Codes, Rules and Regulations. The Agency further contends that their practice of providing reduced tuition rates to income eligible families that are not subsidized by the County has been recognized as having been within the law in subsequent correspondence received from the New York State Office of Child and Family Services (NYSOCFS) (Appendix A, p. 22).

We reviewed the Agency's response and the appended NYSOCFS correspondence (Appendix A, p. 22) and determined that there was no information contained therein that would justify revision of the audit report findings. The letter from NYSOCFS clearly states that the amounts stipulated in the County Contract are the controlling standard relative to the Agency's reimbursement level and that the letter does not constitute a directive to the County regarding the Agency's scholarship program.

The basis for our audit adjustment was the payment terms cited by the County Contract which requires that the Agency bill the County for subsidized child care services at the rates

APPENDIX B (Cont'd)

**Audit & Control's Assessment of
Auditee's
Response to the Audit**

which requires that the Agency bill the County for subsidized child care services at the rates charged to the general public (private pay fee) or at the contract rates, whichever are lower. By providing discounted tuition rates to those families that exceeded the income level required for county funding, not only did the Agency violate the County Contract, they also put the County at risk of losing the New York State funding that is governed by Part 415.6(e) (2) of Title 18 of the New York Codes, Rules and Regulations.

According to Brian Hurst, Director of Legislative Relations, NYSOCFS, (Appendix B, p. 26), in order to comply with Part 415.6(e) (2) of Title 18 of the New York Codes, Rules and Regulations and to avoid putting the County at jeopardy of losing New York State funding, the Agency would have had to make the scholarships equally available to all families during the period of audit, those in receipt of the County subsidy and those who do not receive any form of government subsidies (private pay). It should be noted that the NYSOCFS guidance cited by the Agency does not offer any guarantee of reimbursement of these child care fees at any particular funding level.

In consideration of the relative requirements of the County Contract, Regulatory Agency Regulations at 18 NYCRR 415.6(e) (2) and the cited correspondence received from the NYSOCFS, we believe that our audit adjustment was warranted.

APPENDIX B (Cont'd)

**Audit & Control's Assessment of
Auditee's
Response to the Audit**

April 26, 2006



**New York State
Office of
Children & Family
Services**

George E. Pataki
Governor

John A. Johnson
Commissioner

Capital View Office Park

100 Washington Street
Bellerose, NY 11411-2706

Honorable Andrew P. Raia
New York State Assembly
Legislative Office Building
Room 629
Albany, New York 12248

Dear Assemblyman Raia:

This letter is in response to your March 20, 2006, telephone call to the New York State Office of Children and Family Services (OCFS) regarding the Huntington Freedom Center and its scholarship program. Thank you for taking the time to contact my office to discuss this matter.

Scholarship programs must be structured so that they do not result in a violation of 18 NYCRR Part 415.6, which governs state reimbursement for payments made by social services districts. Payments for child care services are reimbursable if according to 18 NYCRR Part 415.6(e)(2):

"Payments for child day-care or child care services for eligible families/children do not exceed the amount charged to the general public for equal care in the providing facility or home."

Scholarship programs that are structured in such a way that families not receiving a subsidy pay less for child care than the provider charges for families in receipt of a subsidy, result in a violation of the above regulation.

The Huntington Freedom Center provides scholarships to all families *except* those families that receive a child care subsidy from the district. This results in the district paying a higher rate for child care for subsidized families than the amount paid by non-subsidized families, therefore putting the Suffolk County Department of Social Services in violation of the above regulation.

In order to avoid putting districts in jeopardy of losing reimbursement by violating the above regulation, the Huntington Freedom Center would have to make their scholarship equally available to all families: those in receipt of a subsidy (including families who receive TA) and those families that do not receive any form of subsidy (private pays).

APPENDIX B (Cont'd)

**Audit & Control's Assessment of
Auditee's
Response to the Audit**

PAGE 2

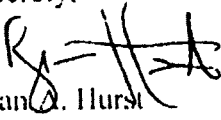
Another option would be a scholarship program that is externally administered by an agency other than the Huntington Freedom Center and where the scholarship is not restricted to any one provider. Since it is not operated by, nor restricted to a particular center, it would not put the district in violation of the above regulation even if the scholarship program were not available to subsidized families.

If the Huntington Freedom Center would like assistance in developing a scholarship program that is in compliance with state law, please contact Suzanne Sennett, Director of the OCFS Bureau of Early Childhood Services at (518) 473-6233.

In addition, I have copied Suffolk County Department of Social Services Commissioner Janet DeMarzo on this letter so that she may review the matter and assist in the development of an appropriate scholarship program.

Thank you for contacting OCFS regarding this very important matter. We appreciate your continued interest in addressing the issues and challenges facing families and children in New York State. If you have any additional questions, comments or concerns, please don't hesitate to contact my office at your convenience. I can be reached directly at (518) 408-3005.

Sincerely,



Bryan A. Hurst
Director, Legislative Relations

(C): Janet DeMarzo, Commissioner, Suffolk County DSS